

Message Text

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17

ORIGIN TRSE-00

INFO OCT-01 ARA-10 EUR-12 EA-10 NEA-10 ISO-00 SS-15 SP-02

IO-10 AID-05 STR-04 EB-07 COME-00 FRB-01 OMB-01 XMB-04

L-02 CIAE-00 DODE-00 INR-07 NSAE-00 PA-02 RSC-01

USIA-15 PRS-01 OIC-02 /122 R

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ARA/ECP:WKNEPPER (SUBS)

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FM SECSTATE WASHDC

TO AMEMBASSY ASUNCION

AMEMBASSY BELGRADE

AMEMBASSY BERN

AMEMBASSY BOGOTA

AMEMBASSY BONN

AMEMBASSY BRASILIA

AMEMBASSY BRIDGETOWN

AMEMBASSY BRUSSELS

AMEMBASSY BUENOS AIRES

AMEMBASSY CARACAS

AMEMBASSY COPENHAGEN

AMEMBASSY GUATEMALA

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AMEMBASSY LONDON

AMEMBASSY MADRID

AMEMBASSY MANAGUA

AMEMBASSY MEXICO

AMEMBASSY MONTEVIDEO

AMEMBASSY OTTAWA

AMEMBASSY PANAMA

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AMEMBASSY PORT AU PRINCE

AMEMBASSY PORT OF SPAIN
AMEMBASSY QUITO
AMEMBASSY ROME
AMEMBASSY SAN JOSE
AMEMBASSY SAN SALVADOR
AMEMBASSY SANTIAGO
AMEMBASSY SANTO DOMINGO
AMEMBASSY TEGUCIGALPA
AMEMBASSY TEL AVIV
AMEMBASSY TOKYO
AMEMBASSY VIENNA
INFO AMEMBASSY HELSINKI
AMEMBASSY OSLO
AMEMBASSY PARIS
USMISSION OECD PARIS

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E.O. 11652:
TAGS: EFIN, IDB

SUBJECT: INTER-AMERICAN DEVELOPMENT BANK NON-REGIONAL
MEMBERSHIP

1. SUMMARY - IDB MEMBERSHIP FOR NON-REGIONAL COUNTRIES (NRC) CLOSER TO REALIZATION AS COMMITTEE OF IDB BOARD OF GOVERNORS AUTHORIZED IDB PRESIDENT TO SIGN DECLARATION OF MADRID IN WHICH 13 NRC WILL COMMIT THEMSELVES TO ENTER BANK AND PROVIDE \$755 MILLION IN NEW CAPITAL . PRESIDENT ORTIZ MENA CIRCULATED DOCUMENTS SETTING FORTH PROPOSED AMENDMENTS TO IDB CHARTER AND GENERAL RULES FOR NON-REGIONAL MEMBERSHIP. U.S. COMMENTED ON LETTER NEGOTIATED WITH NRC IN WHICH U.S. COMMITS ITSELF TO UNTIED PROCUREMENT IN FUTURE. U.S. ALSO FLAGGED FIVE TECHNICAL POINTS REQUIRING CHARTER AND RULES CHANGE THAT SHOULD BE SETTLED BEFORE AMENDMENTS ARE PRESENTED TO GOVERNMENTS. IN CONTRAST TO NEGATIVE COMMENTS BY ARGENTINA AND BRAZIL ON BOTH PROCEDURAL AND SUBSTANTIVE GROUNDS, U.S. URGED NO DELAY IN ANNOUNCEMENT OF MUTUAL DECLARATION OF INTENT SCHEDULED MADRID DEC. 17.
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U.S. BELIEVES NRC MEMBERSHIP REPRESENTS IMPORTANT BURDEN-SHARING WITHOUT SIGNIFICANTLY REDUCING U.S. ROLE IN, OR HEMISPHERIC NATURE OF IDB - END SUMMARY

2. AT MEETING OF IDB BOARD OF GOVERNORS COMMITTEE IN

WASHINGTON NOV. 25, PRESIDENT ORTIZ MENA REPORTED ON PROGRESS IN NEGOTIATIONS WITH PROSPECTIVE NRC IN BONN

NOV. 5-7 AND PARIS NOVEMBER 12. BANK AND NRC REACHED TENTATIVE AGREEMENT ON MEMBERSHIP OF 13 COUNTRIES (AUSTRIA, BELGIUM, DENMARK, FRG, ISRAEL, ITALY, JAPAN, NETHERLANDS, PORTUGAL, SPAIN, SWITZERLAND, UK, YUGOSLAVIA) ON BASIS INITIAL TOTAL SUBSCRIPTION \$755 MILLION, OF WHICH \$315 MILLION CALLABLE AND \$440 MILLION CASH. LATTER TO CONSIST OF \$62.3 MILLION PAID-IN TO NEW INTER-REGIONAL CAPITAL STOCK AND \$377.7 MILLION CASH CONTRIBUTION TO FSO. NRC GROUP WILL BE REPRESENTED IN BANK BY TWO EXECUTIVE DIRECTORS AND TWO ALTERNATES. FRANCE, SWEDEN, FINLAND AND NORWAY PARTICIPATED IN EARLY DISCUSSIONS, BUT OPTED OUT OF FINAL ARRANGEMENT. CONSEQUENTLY, THEY WILL NOT BE ELIGIBLE FOR FURTHER IDB FINANCIAL PROCUREMENT, UNLESS THEY JOIN IN FUTURE. ORTIZ MENA EMPHASIZED THAT LATIN AMERICAN CHARACTER OF BANK WILL BE MAINTAINED AND ANNOUNCED PROPOSED JOINT NRC AND BANK DECLARATION OF MADRID DEC. 17, WHICH IF DELAYED AT THIS STAGE, COULD PREJUDICE ENTIRE EXERCISE.

3. ALTHOUGH ALL COUNTRIES REPRESENTED AT MEETING, (ARGENTINA, BRAZIL, CANADA, COLOMBIA, MEXICO, NICARAGUA, REPRESENTING CENTRAL AMERICA, URUGUAY, U.S., VENEZUELA) PRAISED PRESIDENT FOR HANDLING OF NEGOTIATIONS AND EXPRESSED GENERAL SUPPORT FOR PROPOSED PACKAGE, ARGENTINA AND BRAZIL EXPRESSED NEGATIVE ATTITUDE. ARGENTINA LAMENTED SHORTFALL FROM \$500 MILLION CASH TARGET, SUGGESTED

U.S. VETO IN FSO BE ELIMINATED AND THAT ONLY 4-5 LARGEST NRC ENTER BANK. ARGENTINA ALSO SUGGESTED POSSIBLE COMPLETE ELIMINATION IDB MAINTENANCE OF VALUE PROVISIONS AND EXPRESSED RESERVATIONS CONCERNING SHORT TIME FRAME AND CONCERN THAT PROPOSED DECLARATION OF MADRID WOULD GIVE UNWARRANTED IMPRESSION OF FINAL APPROVAL BY MEMBER UNCLASSIFIED

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COUNTRIES OF ALL ASPECTS OF NRC/BANK PROPOSAL.

4. BRAZILIAN REPRESENTATIVE BARBOSA ESPECIALLY INSISTENT THAT COMMITTEE LACKED AUTHORITY TO GIVE FINAL APPROVAL AND THAT GOVERNORS COULD VOTE POSITIVELY ONLY AFTER GOVERNMENTS' REVIEW AND RATIFICATION, INCLUDING, IN CERTAIN CASES, REVIEW AND RATIFICATION, INCLUDING, IN CERTAIN CASES,

BY MEMBER COUNTRIES' LEGISLATURES. IDB MANAGEMENT COMMENTED THAT NEED FOR RATIFICATION CLEARLY UNDERSTOOD AND EXPLAINED THAT PROPOSAL FOR SIMULTANEOUS REQUESTS FOR FORMAL GOVERNMENT APPROVALS BY NRC AND MEMBERS AIMS AT EXPEDITING OVERALL EXERCISE. AFTER LENGTHY DISCUSSION, INCLUDING OPPOSITION OF SEVERAL COUNTRIES TO BRAZILIAN PROPOSAL TO ALTER DRAFT LANGUAGE OF DECLARATION OF MADRID,

COMMITTEE APPROVED THE SIGNING OF DECLARATION IN MADRID
NECESSARY CLARIFICATION IN SEPARATE LETTER TO NRCS. (FOR
BRAZILIA - WE HAVE IMPRESSION THAT BARBOSA'S OPPOSITION
PERHAPS REFLECTED PERSONAL OBJECTIVE AND NOT TRUE GOB
POSITION.)

5. U.S. REPRESENTATIVE, TREASURY DEPUTY ASSISTANT
SECRETARY BUSHNELL, COMMENTED FAVORABLY ON PROGRESS TO
DATE AND SUPPORTED SIGNING MADRID DECLARATION
WITHOUT CHANGES AND ON SCHEDULE. HE ALSO EXPLAINED
NEGOTIATIONS BY U.S., CANADA AND NRC IN BONN ON LETTERS
EXPRESSING MUTUAL UNDERSTANDING ON UNTIED PROCUREMENT IN
MEMBER COUNTRIES ONLY AND ON EXPECTATION OF PARTICIPATION
BY NRCS IN FUTURE REPLENISHMENTS. THOSE UNDERSTANDINGS
TAKE INTO ACCOUNT 1973 OECD/DAC AGREEMENT ON MULTI-
LATERAL UNTYING. THEY ALSO ARE SET FORTH IN GENERAL TERMS
IN THE DRAFT DECLARATION OF MADRID AND ARE INCORPORATED IN
A U.S. PROPOSED AMENDMENT TO CHARTER ARTICLE III.

6. BUSHNELL ALSO COMMENTED
N FOUR OTHER U.S. PROPOSED
CHANGES IN CHARTER AND/OR GENERAL RULES WHICH HE SUGGESTED
ARE TECHNICAL AND RELATIVELY MINOR IN CONTEXT OF
OVERALL NRC INITIATIVE BUT THAT WOULD BE VERY USEFUL FOR
FUTURE DEVELOPMENT OF BANK OPERATIONS. THEY INCLUDE:
REMOVAL OF MAINTENANCE OF VALUE REQUIREMENT FROM FUTURE
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CONTRIBUTION TO FSO; PROVISION FOR POSSIBLE FUTURE
TRANSFER OF OC NET PROFITS TO FSO; OPPOSITION TO BANK
PROPOSAL TO NARROW EXTENT TO WHICH BANK SUBJECT TO
LEGAL SUIT; PROPOSED MEASURES TO FACILITATE POSSIBLE
REGIONAL COUNTRY SUBSCRIPTIONS TO PROPOSED INTER-REGIONAL
CAPITAL STOCK. EVERYONE AGREED THAT THESE OUTSTANDING
ISSUES SHOULD NOT DELAY SIGNING DECLARATION OF MADRID
BUT THAT THEY REQUIRE EARLY NEGOTIATION AND SETTLEMENT.

7. U.S. HAS CONSISTENTLY SUPPORTED NRC MEMBERSHIP DURING
4 YEARS OF DISCUSSIONS AND NEGOTIATIONS. OUR POSITION IS
THAT LONG-TERM IMPLICATION OF BURDENSARING AND FRESH
INPUT OF RESOURCES TO IDB REPRESENTED BY NRC MEMBERSHIP
ARE POSITIVE. ALTHOUGH U.S. VOTING POWER WILL BE REDUCED
FROM APPROXIMATELY 40 TO 35 PERCENT, NO SIGNIFICANT
EFFECT ON U.S. INFLUENCE IN IDB EXPECTED.

8. SCENARIO NOW ANTICIPATED CALLS FOR DECLARATION OF
MADRID DEC. 17, RESOLUTION OF REMAINING TECHNICAL POINTS
BY END OF JAN. 1975, FORMAL LEGISLATIVE REQUESTS BY NRC
GOVERNMENTS FOR AUTHORITY TO JOIN AND BY CURRENT MEMBERS
FOR CORRESPONDING CHARTER AMENDMENTS BEGINNING IN 1975,

AND INITIAL NRC SUBSCRIPTIONS BEGINNING DURING 1976. KISSINGER

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